

**MEMORANDUM**

January 29, 2013

TO: Planning, Housing, and Economic Development Committee

FROM: Jacob Sesker, Senior Legislative Analyst *JS*

SUBJECT: Amendment to the FY13-18 Capital Improvements Program  
Montgomery County Government—Department of General Services  
Silver Spring Redevelopment Project (No. 159281)

On December 14, 2012, the County Executive submitted a proposed amendment to the approved FY13-18 Capital Improvements Program for the Silver Spring Redevelopment Project (No. 159281). Under the County's Charter, the CIP may be amended at any time by a vote of 6 Councilmembers. The proposed amendment does not require an accompanying supplemental appropriation. **Staff recommends approval.**

The proposed amendment would provide funding for replacement and installation of digital movie projection and related equipment needed to meet updated industry standards at the American Film Institute's Silver Theatre (AFI). A state bond bill of \$375,000 and private donations of \$50,000 will cover the remaining cost of the equipment.

***Background***

As part of the County's Silver Spring Redevelopment Project, the County solicited expressions of interest from operators interested in long-term re-use of the Theatre. Re-use of the theatre supported the goals of the urban renewal plan, including the goal that downtown Silver Spring should be a destination for cultural activities and that the renewal should recognize preservation of historic sites as an integral and positive part of Silver Spring's redevelopment.

On April 13, 1998, AFI was selected as the programming tenant of the facility. A lease and related agreements were executed, and the Theatre opened in 2003. The County's relationship with AFI is that of lessor to lessee—the County owns the building in which AFI is a tenant. Under the lease, AFI is responsible for ongoing repair and replacement of all specialty equipment within the leased premises, including film and projection equipment.

## **Testimony**

Ray Berry, Director of the AFI Silver Theatre and Cultural Center, testified that the Theatre had the capacity to exhibit all film formats that were in distribution at the time that the Theatre opened in 2003. See © 5-6. However, the shift to digital technologies has occurred rapidly in the last few years—current estimates are that 80% of screens worldwide are digital. Major film distributors adopted standards and agreed only to service locations that meet those standards. Last year, 20<sup>th</sup> Century Fox announced that it would stop distributing 35mm films at some point in 2013 and thereafter would only distribute digital films. According to Mr. Berry, “it is generally projected that all of the major distributors will cease releasing movies on 35mm film by the end of 2013...70% of our total ticket sales come from films that will be unavailable to us by the end of 2013.”

## **Operating budget savings**

AFI currently spends between \$60,000 and \$70,000 per year in expenses from film shipping. The cost of delivery for a digital film package is typically about 10% of the cost of shipping 35mm film. A significant reduction in AFI’s shipping costs will improve margins for AFI, potentially reducing the magnitude of AFI’s operating losses.

## **Ownership of the projector**

Staff expressed concern that County funding could be used to purchase equipment which could then be removed by AFI at the termination of its tenancy. Ramona Bell-Pearson, Assistant Chief Administrative Officer, provided clarification regarding ownership of the projectors.

*“Yes there is an intent to amend the lease provisions that pertain to equipment and responsibility for repairs, ownership, etc. We had extensive conversations with Ray Barry about the requirement that the County own the projectors if we agree to fund the purchase cost and he agrees with that requirement. I have included the County Attorney in our discussions with Ray and we are prepared to amend and finalize before any funds are distributed to make the purchase. I also want to clarify that it is my understanding from Ray and Don [Scheuerman, DGS] that this equipment does meet the industry standards. In fact were impressed to support this request from AFI because Ray established that the industry standard has changed and now requires these digital projectors. At this point if AFI does not obtain digital projectors, it will not be able to obtain current/new films to broadcast because the only medium used starting in mid-2013 will be digital and the current projectors in our facility are not digital.”*

## **Recommendation**

Staff recommends approval.

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OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

Isiah Leggett  
County Executive

MEMORANDUM

December 14, 2012

TO: Nancy Navarro, President  
County Council

FROM: Isiah Leggett   
County Executive

SUBJECT: Amendment to the FY13-18 Capital Improvements Program  
Montgomery County Government  
Department of General Services  
Silver Spring Redevelopment Project (No. 159281)

I am recommending an amendment to the FY13-18 Capital Improvements Program for the Silver Spring Redevelopment Project (No. 159281).

The recommended amendment is consistent with the criteria for amending the CIP because it leverages non-County funding. This amendment is needed to allow the replacement and installation of digital movie projection and related equipment needed to meet updated industry standards at the American Film Institute's Silver Theatre and to provide the ability to use existing project appropriation to match private and state contributions.

I recommend that the County Council approve this amendment to the FY13-18 Capital Improvements Program.

I appreciate your prompt consideration of this action.

Attachment: Amendment to the FY13-18 Capital Improvements Program

cc: David Dise, Director, Department of General Services  
Don Scheuerman, Chief of Project Management Section, Department of General Services  
Jennifer A. Hughes, Director, Office of Management and Budget  
Mary Beck, Budget Manager, Office of Management and Budget

Resolution No.: \_\_\_\_\_  
Introduced: \_\_\_\_\_  
Adopted: \_\_\_\_\_

**COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND**

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By: Council President at the Request of the County Executive

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**SUBJECT:** Amendment to the FY13-18 Capital Improvements Program  
Montgomery County Government  
Department of General Services  
Silver Spring Redevelopment Project (No. 159281)

**Background**

1. Section 302 of the Montgomery County Charter provides that the Council may amend an approved capital improvements program at any time by an affirmative vote of no fewer than six members of the Council.
2. The County Executive recommends an amendment to the FY13-18 Capital Improvements Program for the Silver Spring Redevelopment Project (No. 159281).
3. The recommended amendment is consistent with the criteria for amending the CIP because it leverages non-County funding. This amendment is needed to allow the replacement and installation of digital movie projection and related equipment needed to meet updated industry standards at the American Film Institute's Silver Theatre and to provide the ability to use existing project appropriation to match private and state contributions.
4. Notice of public hearing was given and a public hearing was held.

**Action**

The County Council for Montgomery County, Maryland, approves the following action:

The FY13-18 Capital Improvements Program of the Montgomery County Government is amended as reflected on the attached project description form.

This is a correct copy of Council action.

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Linda M. Lauer, Clerk of the Council

## Silver Spring Redevelopment Pgm (P159281)

Category General Government  
Sub Category Economic Development  
Administering Agency County Executive (AAGE03)  
Planning Area Silver Spring

Date Last Modified 12/28/12  
Required Adequate Public Facility No  
Relocation Impact Yes  
Status Under Construction

	Total	Thru FY12	Rem FY12	Total 6 Years	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	Beyond 6 Yrs
<b>EXPENDITURE SCHEDULE (\$000s)</b>											
Planning, Design and Supervision	10,807	10,714	0	93	93	0	0	0	0	0	0
Land	34	34	0	0	0	0	0	0	0	0	0
Site Improvements and Utilities	2,303	2,303	0	0	0	0	0	0	0	0	0
Construction	32,079	32,079	0	0	0	0	0	0	0	0	0
Other	890	565	0	325	325	0	0	0	0	0	0
<b>Total</b>	<b>46,113</b>	<b>45,695</b>	<b>0</b>	<b>418</b>	<b>418</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>FUNDING SCHEDULE (\$000s)</b>											
Contributions	1,046	719	0	327	327	0	0	0	0	0	0
Current Revenue: General	703	703	0	0	0	0	0	0	0	0	0
G.O. Bonds	91	0	0	91	91	0	0	0	0	0	0
Land Sale	14,942	14,942	0	0	0	0	0	0	0	0	0
PAYGO	9,016	9,016	0	0	0	0	0	0	0	0	0
State Aid	20,165	20,165	0	0	0	0	0	0	0	0	0
Urban District - Silver Spring	150	150	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>46,113</b>	<b>45,695</b>	<b>0</b>	<b>418</b>	<b>418</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>OPERATING BUDGET IMPACT (\$000s)</b>											
Energy				318	53	53	53	53	53	53	
Maintenance				150	25	25	25	25	25	25	
<b>Net Impact</b>				<b>468</b>	<b>78</b>	<b>78</b>	<b>78</b>	<b>78</b>	<b>78</b>	<b>78</b>	

### APPROPRIATION AND EXPENDITURE DATA (000s)

Appropriation Request	FY 14	0
Supplemental Appropriation Request		0
Transfer		0
Cumulative Appropriation		46,113
Expenditure / Encumbrances		45,707
Unencumbered Balance		406

Date First Appropriation	FY 92
First Cost Estimate	
Current Scope	FY 13 46,113
Last FY's Cost Estimate	46,113

### Description

This project provides for studies, streetscaping, historic preservation, utility undergrounding, site improvements, land acquisition, relocation, and demolition necessary to the renewal of the Silver Spring Urban Renewal Area. This project is part of a multi-project effort by Montgomery County to support the retail-oriented redevelopment of the Silver Spring Central Business District (CBD), a total public commitment of \$191.2 million. This project includes the construction of the Wayne Avenue Plaza, Town Square Plaza, the Veterans Plaza and the median strip on Georgia Avenue, as well as the demolition of the Silver Spring Armory and relocation of the Armory's public meeting space to a new Silver Spring Civic Building. This PDF includes funding for an ice rink and pavilion which will be privately operated on a fee basis and a veterans' memorial to replace the memorial at the Armory, which has been razed. Development of and planning for the appropriate memorial(s) was done in partnership with local veterans' groups. \$33 million for land acquisition, relocation, and demolition expenditures shown in prior years and funded in Silver Spring ALARF have been removed to correspond with the closeout of Silver Spring ALARF. The project also provides for the purchase and installation of digital movie projection and related equipment needed to meet updated industry standards at the American Film Institute's Silver Theatre.

### Justification

Recommendation of the Silver Triangle Working Group, December 1991; Blight Documentation of April 1992; Approved Silver Spring CBD Sector Plan of 2000; the Recommendation of the Silver Spring Alternatives Working Group, 1994; the Final Report and Recommendations of the Silver Spring Redevelopment Advisory Board, 1996; the Approved Silver Spring Urban Renewal Plan, August 1997; and the Approved Site Plan and Project Plan, July 1999.

### Other

Up to \$75,000 for funds in this project will be available for consultant assistance to the County Council in its review of revitalization of the Silver Spring Urban Renewal area. The Planning Board has approved the Preliminary Plan, Project Plan, and Site Plan for the project. The Council's Planning, Housing and Economic Development (PHED) committee will continue to receive quarterly briefings to keep the County Council up to date on the progress of the project.

### Fiscal Note

Appropriation was reallocated to other projects in the CIP in FY12. The American Film Institute received a \$375,000 state bond bill to purchase updated projection equipment. Private donors provided \$50,000 to partially match the bond bill, and \$325,000 from this project will provide the remaining match.

## Silver Spring Redevelopment Pgm (P159281)

### **Disclosures**

A pedestrian impact analysis has been completed for this project.

The Executive asserts that this project conforms to the requirements of relevant local plans, as required by the Maryland Economic Growth, Resource Protection and Planning Act.

### **Coordination**

Silver Theatre, Round House Theatre, Silver Spring Civic Building, Parking Town Square Garage (#61), Parking Silver Circle (Wayne Avenue) Garage (#60), City Place, Fenton Street Village, Fenton Street Village Pedestrian Linkages, Dept. of Housing and Community Affairs, Silver Spring Regional Services Center, State of Maryland, M-NCPPC, Historic Preservation Commission, Silver Spring Chamber of Commerce, Private developers, Affected property and business owners, Department of General Services, WSSC

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## Amendment to County Government's FY13-18 Capital Improvements Program

January 29, 2013

Ray Barry  
Director, AFI Silver Theater and Cultural Center  
8633 Colesville Road, Silver Spring MD 20910  
301-495-6735

Council President Navarro and members of the County Council, I am Ray Barry, Director of the AFI Silver Theatre and Cultural Center and I am here today to speak to the proposed amendment to the County Government's FY13-18 Capital Improvements Program and the need for the digital cinema systems and related equipment upgrades that it would support.

As one of the nation's premier film theaters, AFI Silver Theatre and Cultural Center offers a rich and eclectic year-round program of repertory cinema, specialty first-run films, festival programming and live film-related events; plus a groundbreaking educational screenings program that serves nearly 10,000 middle and high school students annually. The AFI Silver presents more than 500 films per year to an audience of over 200,000 people, connecting a diverse regional audience with the best the art form has to offer in a historically and architecturally significant screening environment.

When AFI Silver opened in 2003 it had the capacity to exhibit all of the film formats that were in distribution at that time, and 35mm film was overwhelmingly the primary means of distribution. However, over the past several years there has been a significant industry-wide effort to transition to digital technologies, and to establish industry standards for digital media presentation. As part of that process, the major film distributors created a joint venture known as the Digital Cinema Initiative (DCI) to establish a set of standards for the anticipated wide deployment of digital cinema. A key part of their agreement was that these distributors would only service locations with DCI "compliant" hardware. While state of the art at its opening in 2003, none of the current hardware at AFI Silver meets the DCI compliance standards.

As recently as three years ago there were no more than a few thousand DCI compliant screens; however, the rate of adoption and deployment of DCI compliant hardware has accelerated exponentially, with current estimates being that 80% of screens worldwide have been converted. A major driver of this acceleration was the announcement last year by 20th Century Fox that during 2013 they would cease distributing on 35mm film and that the DCI digital format would be "the only format in which it will theatrically distribute its films." And, it is generally projected that all of the major distributors will cease releasing movies on 35mm film by the end of 2013.

This is an urgent and critical issue for AFI Silver. This past fall we began to feel the programming impact of the digital cinema transition when nearly a dozen of the films we were considering for our Latin American Festival and European Union Showcase could not be included because they were available only in the Digital Cinema format. And this year, as the major U.S. distributors move to digital-only distribution, unless we upgrade these systems there will be major adverse programmatic and operational impacts. To put it in context, some 70% of our total tickets sales come from films that will be unavailable to us by the end of 2013.

The Capital Improvements Program funds will allow us to upgrade the digital infrastructure of the AFI Silver Theatre and bring it into compliance with the current industry standards. The project includes the installation of DCI compliant Digital Cinema projectors, media servers, audio systems and playback equipment; control system hardware and software; and wiring upgrades to support the digital content.

These upgrades are vital to our work, and I ask that you please support this amendment.